



**Director of
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Intelligence**

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EL SALVADOR: Contacts With the Left

The government has endorsed a dialogue with the extreme left in the hope of encouraging broad participation in the elections, and some contacts apparently have already taken place.

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President Magana, citing the call for a dialogue as an important move, told the US Embassy that he would be willing to delay elections if the left agreed to participate.

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Comment: Although the government and the extreme left claim to support a dialogue, their aims remain widely divergent. Hardliners on both sides are likely to prevent any serious discussions from taking place.

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The insurgents probably believe that they have the military initiative, and they would want to discuss a power-sharing role, which the Salvadoran military and the major political parties oppose. Each side is likely to continue its efforts, however, in the hope of scoring propaganda points and causing dissension in the other's ranks

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NATO: Foreign Ministers' Meeting

NATO Foreign Ministers will meet tomorrow and Friday in Paris and will formulate Alliance policy on arms control, modernization of forces, and East-West relations. [REDACTED]

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Comment: This is the last scheduled meeting of the Alliance before December, when INF deployments are to begin. The Allies hope a solid front supporting NATO's INF arms control and modernization decision will help persuade the Soviets to negotiate constructively. [REDACTED]

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France's offer to host the meeting for the first time since it withdrew from NATO's military structure is designed to demonstrate its backing for INF deployments and for continued discreet cooperation with the Alliance. President Mitterrand's decisions on these matters enjoy widespread political support. [REDACTED]

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Paris, however, will reaffirm its independence and reiterate that French nuclear forces should not be included in US negotiations with the USSR. The French also believe that East-West economic relations and out-of-area issues are best discussed outside NATO forums, and they will restrict treatment of those topics in the communique. [REDACTED]

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Greece is likely to add a reservation that it does not support the INF modernization portion of the final communique. Denmark also will footnote the INF section, probably noting a resolution of 26 May by its parliament calling for an extension of the INF talks, suspension of deployments, and inclusion of British and French missiles at Geneva. Spain will footnote the entire text because Madrid is reviewing its decision to join NATO and did not participate in the discussions on INF in 1979. [REDACTED]

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Many Allies urged moderation during the drafting of the communique's language regarding Poland and East-West relations. They probably will reassess their policy toward Poland following the Pope's visit there next week. The Allies also will show flexibility at the MBFR and CSCE talks to undercut domestic opposition to INF deployments. [REDACTED]

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NICARAGUA: Labor Problems

Increased Sandinista repression of labor probably will offset recent efforts by Managua to help it put forth a favorable image at the meeting this week of the International Labor Organization in Geneva.

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Last week the Sandinistas rigged the election of dockworkers at Corinto by packing the assembly with nonunion members, militia, and government officials. The US Embassy reports that the workers, currently represented by a Sandinista union, wanted to affiliate with an independent confederation linked to the opposition.

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Protesting dockworkers later elected a rival leadership at a separate meeting, but the Labor Ministry announced that it would not be recognized. In mid-March, when the union's executive board first tried to change affiliation, the Sandinistas made arrests, occupied union headquarters, and organized mob violence.

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Nevertheless, the Sandinistas have invited the opposition confederation to attend the ILO meeting in an advisory role to the Sandinista labor delegate. They also are allowing the opposition's private-sector organization to represent employers at the conference.

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Comment: The ILO and democratic international labor organizations have criticized the Sandinistas' repressive and discriminatory labor practices. Although the Sandinistas have made some gestures to mollify opponents, their handling of the dockworkers will give critics new ammunition.

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If the dockworkers' defiance persists, the Sandinistas probably will respond with further harsh measures. The government acknowledges that an independent union at Nicaragua's major port would give the opposition unacceptable power. It presumably also fears the possible effect of allowing a Sandinista union to defect.

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Prime Minister Bob Hawke

The 53-year-old Hawke was elected prime minister on 5 March after only two years of parliamentary experience and a one-month tenure as Labor Party leader. . . a moderate socialist . . . experienced in mediating labor disputes during 11 years as president of the Council of Trade Unions . . . enjoys the reputation as Australia's most popular politician.

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AUSTRALIA-US: Hawke's Visit

Prime Minister Hawke's goals for his first official visit to the US from 11 to 20 June are to strengthen his image at home, to establish cordial relations with Washington, and to reassure the US that Australia remains a reliable ally. [REDACTED]

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Comment: Hawke may propose making some adjustments in the ANZUS alliance and in several aspects of bilateral defense cooperation, including control over the joint communications facility at North West Cape. He has been under pressure from the left wing of the Labor Party to review bilateral security arrangements. By addressing these issues now, he may believe that he can avert damaging criticism later. [REDACTED]

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The Prime Minister's agenda also is likely to include discussion of the possible resumption of Australian aid to Vietnam and the proposed South Pacific nuclear-free zone. These issues are under review by Canberra, which has postponed any decision on aid until after consultations with the US. [REDACTED]

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Australia has already sounded out ASEAN on the aid issue, which reacted negatively, as did China. In addition, Hawke may seek a reaction to his efforts to promote Australia as a mediator of the conflict in Kampuchea and other Southeast Asian problems. [REDACTED]

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Hawke and Treasurer Keating will meet with leading members of the financial community in New York, where they will offer reassurances about the Labor government's foreign investment and economic policies. Although Canberra is likely to regulate foreign investment somewhat more tightly, Hawke recognizes the importance of US and other foreign capital to the Australian economy. [REDACTED]

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CHAD: Anniversary Passes Quietly

The anniversary of President Habre's first year in power passed uneventfully yesterday as expected attacks by Libyan-backed dissidents failed to materialize. [redacted]

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Stringent security measures were in effect in N'Djamena during the well-attended public ceremonies. [redacted]

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There are reports of additional sporadic fighting near the Nigerian-Chadian border, which remains closed. [redacted]

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Comment: [redacted]

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[redacted] an attack could come at any time. Libyan leader Qadhafi may have decided that the anniversary was too obvious an occasion, particularly in view of press reports warning of Tripoli's designs. He is currently preoccupied with the OAU Summit. [redacted]

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Nigeria has little to gain politically by prolonging the conflict with Chad, but President Shagari is preoccupied with the election campaign and appears to have little choice but to let the military try to recoup lost prestige. The border closing continues to block vital shipments of fuel and food to Chad. [redacted]

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**USSR-PLO: Soviet Support for Arafat**

Salah Khalaf, a close aide to PLO chief Arafat, said at a press conference in Moscow yesterday that General Secretary Andropov has sent Arafat two messages of support, presumably during the past few days. Khalaf did not elaborate on the content of the messages, but he described his trip as successful. He predicted that it would produce "certain practical results" in the Middle East. Marxist factions in the PLO also have implicitly endorsed Arafat's continued leadership as PLO chairman while calling for democratic reforms in the organization. [REDACTED]

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Comment: The Soviets have largely avoided direct commentary on the PLO split, but they probably encouraged their Marxist allies to demonstrate their backing for Arafat. Khalaf's reference to his successful visit and its results may be a sign that the USSR has agreed to ask Syrian President Assad to discontinue indirect support for PLO dissidents. [REDACTED]

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SOUTH AFRICA-NAMIBIA: Political Developments

South Africa's announced intention to appoint a State Council to develop proposals for new arrangements for administering Namibia during the period before independence will draw criticism from African leaders. The Council will consist of representatives of Namibia's political parties, and its recommendations will be submitted to voters in a territory-wide referendum. Pretoria insists that the new body is not intended to lead to a unilateral declaration of independence. Namibia has been administered by Pretoria through its Administrator General, who assumed direct rule in January when the previous government collapsed. [REDACTED]

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Comment: Pretoria was dissuaded from its initial plan to hold elections for the State Council as a result of pressure from the Western Contact Group and the reluctance of the internal political parties to participate in elections. African leaders will view creation of the Council as further evidence of South African duplicity in working out a settlement on Namibia that is not internationally sanctioned. [REDACTED]

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SPAIN-USSR: Foreign Minister's Visit to Moscow

Spanish Foreign Minister Moran's talks in Moscow late last month resulted in the signing of a maritime transportation agreement and an accord on cultural and scientific exchanges. A Spanish diplomat in Moscow says that Foreign Minister Gromyko urged Moran not to believe reports that progress is being made in the Geneva INF talks. Gromyko, however, did not press for an explanation of Madrid's inaction on a referendum on NATO membership. Although both sides affirmed interest in expanded relations, the Soviets reportedly deferred to Moran's wish that a communique not be issued. [REDACTED]

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Comment: Spanish Prime Minister Gonzalez's recent remarks supporting NATO's approach to INF and his acknowledged intention to postpone the referendum on NATO probably lowered Moscow's expectations for Moran's visit. The Soviets will continue to urge closer relations, even though Madrid may use the maritime accord and other bilateral agreements to maintain greater control over the presence and activities of Soviet personnel in Spain. [REDACTED]

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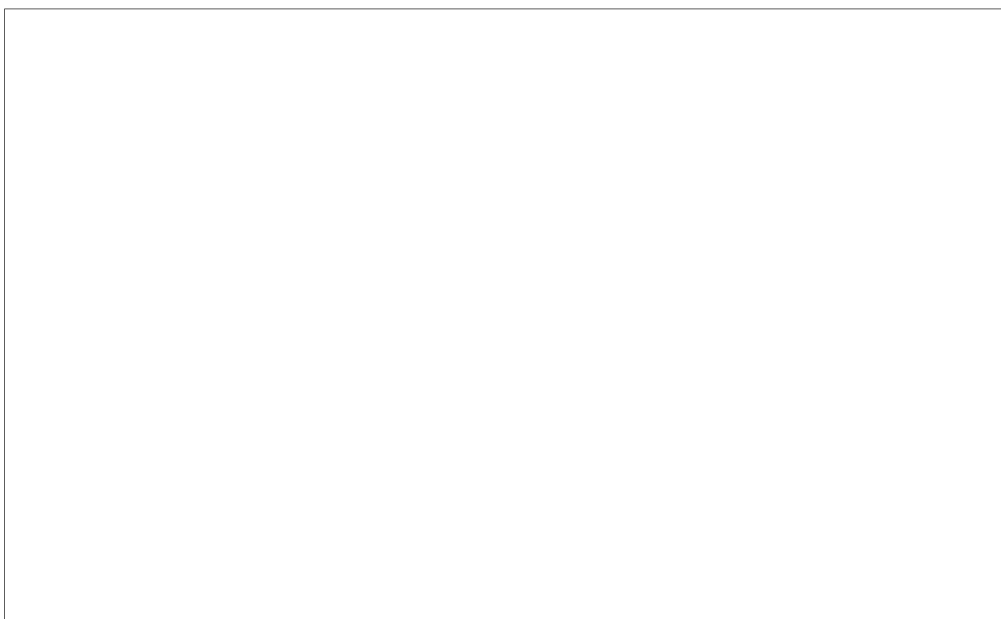
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**PAKISTAN-INDIA: Improved Political Atmosphere**

Officials in Pakistan's Foreign Ministry believe that the first meeting last week of the ministerial-level India-Pakistan Joint Commission went better than they had expected, according to the US Embassy. The two sides agreed to resume political talks after mid-August on a nonaggression pact and a treaty of friendship. In addition, the Commission made recommendations on a wide range of peripheral problems, but it achieved no progress on the important issue of increased trade. The Pakistanis say the Indian Foreign Minister emphasized that recent statements by Prime Minister Gandhi questioning Pakistan's intentions were solely for domestic consumption.

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Comment: Although no progress was made on substantive issues, the positive atmosphere of the meeting and agreements on minor issues help continue the slow improvement in relations. Islamabad sees agreements on lesser problems as a key to building mutual confidence while it continues to urge progress on important political issues. Neither side foresees a breakthrough on key bilateral problems.

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NORWAY: Nonsocialist Coalition

Conservative Prime Minister Willoch will install a new government today consisting of the ruling Conservative Party and the smaller Center and Christian People's Parties. The new nonsocialist coalition will hold 79 of the 155 seats in the parliament. The Center and Christian People's Parties have received seven portfolios in the expanded 18-member cabinet. [REDACTED]

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Comment: The coalition probably will not make any substantial changes in foreign or security policies. The majority government will be likely to improve Willoch's chances of pushing through an austere budget. The Prime Minister, however, will have to work out compromises on domestic issues important to the smaller parties. This will enable the smaller parties to gain greater national prominence before the local elections in September. [REDACTED]

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Special Analysis

ISRAEL-LEBANON: A Year After the Invasion

The invasion of Lebanon has brought Israel substantial political gains, even though it failed to secure the goals set by Prime Minister Begin last June. The cost has been much higher than anticipated, however, and public anxiety over the continued occupation is rising.

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From the perspective of the ruling Likud group, Israel's position in the region has improved as a result of the war. Even critics of the invasion admit that the agreement signed with Lebanon is a significant achievement. They believe that, with luck, it could evolve into the kind of formal treaty that Begin initially sought.

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President Gemayel's willingness to move ahead with the accord in the face of substantial Arab pressure suggests that Israeli-Lebanese normalization will proceed even if the provisions for Israeli withdrawal are not carried out. In any event, the extensive contacts that Israel has developed with various Lebanese groups will ensure that Tel Aviv has major influence in Lebanese politics for some time.

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International pressure on Israel to accommodate Palestinian demands has decreased considerably. In addition, the outbreak of factionalism in Fatah threatens to fragment the PLO, a goal Israel has long sought.

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Moreover, a move by the PLO toward radicalism could play into the hands of the Israelis, who have long sought to portray it as a terrorist group. If the radicals emerge as the strongest force in Fatah, however, Israel could face renewed sporadic attacks on border settlements and international terrorist activity.

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The disarray in the Arab world and in the PLO following the invasion has deepened despair among West Bank Arabs, thereby aiding Israeli efforts to tighten control over the occupied territories. Resistance to the Israeli occupation has dropped, and Israeli press reports claim that Arab land sales to Jews rose markedly after the invasion and have remained high.

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Impact on Foreign Relations

The peace treaty with Egypt has endured despite Cairo's criticism of the invasion and the subsequent withdrawal of its ambassador from Tel Aviv. Although the Israelis remain concerned about the poor

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state of relations, many probably are pleased that the treaty has passed its first serious test. [REDACTED]

Israel's relations with the US have been hurt by differences over Lebanon, but ties probably are better now than at any time during the past few years. This is largely the result of Jordanian King Hussein's failure to support the US peace initiative, a development only marginally related to Lebanon. [REDACTED]

The Israelis believe that their concessions during the negotiations on Lebanon have helped to improve relations with Washington. Most of them also believe that ties to the US will remain strong and that damage done during the invasion was temporary. [REDACTED]

Recent successful visits to France and Belgium by Foreign Minister Shamir and Defense Minister Arens suggest that Israel's relations with Western Europe are again on a firm footing. Tel Aviv is inclined to dismiss other criticism of the invasion as coming from traditionally anti-Israeli sources and as being unrelated to the war. [REDACTED]

Domestic Unrest

The occupation of Lebanon has led to what probably is the most serious turmoil in Israel since the end of the war with Egypt and Syria in October 1973. Unhappiness in the Army—much of which has become public—and serious deficiencies in military command and control and intelligence revealed by the investigation of the Beirut massacre have lowered military morale and intensified the controversy over the occupation. [REDACTED]


Nevertheless, the protests thus far appear to have had only limited impact on Begin's popularity. Despite the large turnout for the Peace Now demonstration last weekend, the government probably is correct in its claims that opposition to the war is limited to groups traditionally hostile to the government. [REDACTED]

The bulk of the population, although not enthusiastic about the continued occupation, appears to support the government's arguments that a continued presence in Lebanon is necessary for security reasons. There is growing support, however, for a unilateral withdrawal to the 45-kilometer zone. [REDACTED]

Most Israelis probably accept the government's argument that the political gains of the war in Lebanon have justified the deaths of nearly 500 Israeli soldiers. At the same time, there is increasing uneasiness over the danger of war with the Syrians. If this anxiety persists, the government might be forced to take some step—such as a withdrawal to the 45-kilometer line—to placate public opinion. [REDACTED]

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